

**COMMITTEE ON ACCOUNTS, ENROLLMENT
AND REVENUE ADMINISTRATION**

January 18, 2005

5:00 PM

Chairman Smith called the meeting to order.

The Clerk called the roll.

Present: Aldermen Smith, Osborne, Shea

Absent: Aldermen Guinta, Thibault

Messrs.: F. Thomas, T. Seigle, K. Clougherty, G. Beloin, K. Buckley,
S. Wickens, M. Farren, R. Sherman, V. Lamberton

Deputy Clerk Normand noted that Alderman Guinta is in Washington on business and will be unable to attend the meeting.

Chairman Smith addressed Item 3 of the agenda:

Communication from Thomas Seigle, Chief Sanitary Engineer,
recommending sewer user rate increases from \$1.55/100 c.f. to \$1.80/100
c.f. and a septage receiving and treatment rate increase from \$70/1000
gallons to \$80/1000 gallons effective July 2005.

Frank Thomas, Public Works Director stated to my right is Tom Seigle. He is my Chief Sanitary Engineer. Tom heads up the Wastewater Treatment Plant. With your permission we will start our presentation. We are here tonight to propose a sewer user rate increase and to provide the justification for this proposal. There has not been a rate increase for over eight years even though the City has been forced, through EPA through a consent order in 1999 to spend \$60 million to address Combined Sewer Overflow (CSO) in the City. If you have been over on the west side within the last few years you will see the majority of it under construction. Those are CSO projects and those projects are being paid out of sewer user fees. Through good financial management, at least in my opinion through good financial management we have been able to maintain a stable rate for eight years now while providing for superior wastewater treatment, expanded sewage facilities and addressing the unfunded mandate of CSO. The presentation tonight will define the proposal, identify future obligations and the actual impact on a typical household. At this point what I would like to do is turn it over to

Tom. Tom will go through this slide presentation and I request that you hold your questions until the end. Hopefully most of the slides will answer them and the ones that they don't we will be glad to answer them.

Thomas Seigle, Chief Sanitary Engineer, stated I have a handout that is basically the slide presentation and I would like to give it to the Committee to follow along. The first slide is our user rate – historical, existing and proposed. The user rate, as you all know, is made up of two components. It is charged per 100 cubic feet of water used plus a fixed fee per quarter based on the type of facility – residential, commercial, industrial, etc. You can see from 1989 through 1995 we had some series of rate increases and that was to cover the cost of expanding the treatment plant, completing the interceptors on the West Side to get the raw sewage out of the river and also the interceptors on the East Side and at the same time we were ordered by EPA to begin looking at the combined sewer overflow problem. In anticipation of all of those issues, the rates were raised by the Board through a series of four or five rate increases. As Frank said, costs were lower than we had anticipated, bids came in better and operating costs weren't as high so we were able to build up a surplus in the sewer fund and we were able to hold the rates steady at \$1.55 as you can see for about eight years. We know we have a lot of projects to do. In fact, besides the CSO we are doing a lot of other projects. We did the Cohas Interceptor Phase I, which is an extensive project to begin to be able to run sewage out to the northeast part of the City and then we built spurs off of that as that line got built to sewer areas. So we looked ahead and projected up to 2012 and said with the projects we have on the books and the projects we already have under construction that the bond payments will start coming down we did an estimate of what we would need for rate increases to be able to accomplish all of that. So the first rate increase that we are looking for is in FY06 and that would be up to \$1.80/100 c.f. of water. The other rate increase you see there are dotted lines because we are not really requesting those now but we want to make the Board aware that in order to do all of the projects that are on the books right now and still run the wastewater treatment plant that other rate increases will be probably be needed. We don't know exactly whether it will be in two years or three years but they will be needed at some point to balance out our revenues and our expenses.

Mr. Thomas stated just to follow-up on that again they are dashed because they may slide...hopefully with some economies we will be able to delay some of the increases.

Mr. Seigle stated as you can see in the next slide we have been tracking our sewer fund balance, our revenues and our expenses and as we draw down the balance, which is the green line, we have had our revenues lower than our expenses. I only went back to 2004 but it has been that way for quite awhile. This chart anticipates

the rate increases and as you can see the target is to 2012 with the projects and the rate increases proposed to have the revenues and expenses pretty much balance out while still maintaining a small surplus in the sewer fund because we do have to pay our bonds as they come due and the revenues don't always come in at the same rate that the bond payments come due and also we need to push in in case there is an emergency that happens at the treatment plant. Just to run through a couple of projects that...the ones that we are talking about here. We have projects that we anticipate paying cash through the sewer fund. The first one is infrastructure repair. Every year we put \$200,000 aside to repair some of the older sections of the City where there are damaged pipes. That money is made available to the Highway Department. They design the projects and put out the bids and that is a joint effort between the Sewer Superintendent and the Engineering Department and that is a six-year projection with \$200,000 a year. We have a couple of projects in the mill right now – South Mammoth Phase III is what we call it. It is sewers on Cohas Avenue, Shaunna Court, Woodcrest Court and a new pumping station. Those bids were taken January 5 and we will be awarding that project very soon. Candia Road – the sewer has to go in on Candia Road now because of the DOT project that is going on up there and we have to pay for that sewer project so it includes that and it also includes design of the Cohas Interceptor Phase II. We finished Phase I. We have some CSO work, which is just the preliminary work, the design work. It is not the bulk of the work. We have some projects ongoing at the wastewater treatment plant and also a facilities plan that we are starting for looking ahead to the next 20 years of the plant. We have also included the estimated design costs to address the Valley Cemetery problem that we will get into as we go along. Bonded projects that we anticipate – basically the plant right on the program was anticipated that in 2008 we would need another expansion and another upgrade. That includes our due watering project, which we are in the process of designing now so that is looking at probably like a \$24 million project. The interceptor sewers is the bonded cost for the Cohas Phase II Interceptor which continues from where Phase I left off. It takes you up to Candia Road to tie in that missing link that is going to be put in as the DOT does their work. Then the remaining CSO's...I don't know if Frank mentioned but in 1999 we signed a consent order with the federal government to do about \$53 million worth of CSO work. We have about \$22 million left to do and then we also included over this six or seven year period the Valley Cemetery pipe at a cost of about \$8 million. What we did then was we tried to figure out what it would do to a typical single family household. The NHDES evaluates this based on a use of 90,000 gallons of water a year and that is what they use as a basis so we used that same basis and we took 90,000 gallons of water a year if you use that much and if you use the service charge what it would cost you. Currently under that criteria it would cost about \$230 a year for a single-family home. That would increase with the rate increase we are requesting tonight to \$260 per year or

about \$2.50 a month increase. Then with the dotted lines it would increase ultimately up until 2012 based on what happens financially. The last chart we put together is just an informational chart. This is a 2003 user chart survey that the NHDES did. They haven't done their 2004 survey yet. I listed some of the larger communities. Using the criteria of again 90,000 gallons per day and each community is given a questionnaire every year by the DES saying if a home does this usage what would it cost and as you can see the state average is very close to \$400/year. If you go down to Manchester that was calculated based on the rate we are requesting tonight, which would be around \$260/year. So we are still on the lower end for larger communities and pretty well below the state average. That is pretty much it except I have a few pictures that I wanted to show of the Valley Cemetery and why we are trying to address that problem now. This is a picture looking down at the cemetery from the Auburn/Pine Street area on a nice day. If you go to a rainy day that is combined sewage right there...Combined Sewer Overflow. That is the same valley after and during a rainstorm. This is a section of pipe that goes through the cemetery where the pipe was just undersized and it had blown out years ago and that is where the relief point is. That is just one of our engineers out there to take a look at that. We have covered it with grading for safety reasons but every time it rains it kind of blows the grading off. This is the inside of that same pipe. As you can see it is pretty well deteriorated. These rate increases that you see include the design and construction of a new pipeline through the cemetery all the way down to Elm Street, which will relieve this problem. That is the end of our presentation.

Mr. Thomas stated just to add before we take questions even though we showed pictures of the cemetery brook project, this project alone is not the reason why we are in here requesting or proposing this rate increase. It is just one of the many factors that go into the need for increasing the sewer fees.

Alderman Osborne asked going back to cemetery brook you say 2008 is about when you are going to be paying attention to this or before.

Mr. Thomas answered what we would like to do is start the design work come this July and by the time we finish the design we are looking at construction.

Mr. Seigle stated the program we put together is a continuous program. We would start the design upon approval and then go right to construction. It would probably be a two-year construction period so probably within three years we would have addressed that problem.

Alderman Osborne asked where would this be starting. At the cemetery itself or up higher – up by the Elliot Hospital?

Mr. Seigle answered it will probably be starting down around the Elm Street area and we will be working backwards to the cemetery. Again we have only done preliminary engineering so we don't have detailed routes or anything.

Mr. Thomas stated it will end approximately at Pine Street. We are going from Pine to Elm.

Alderman Osborne asked how is this going to cure the upper end from there. How is this going to cure it? Is it going to stop the odors in the sewers all the way up to the Elliot Hospital?

Mr. Thomas answered no it won't; however, this is the first phase. This is a project that definitely has to be done as you can see from the pictures. Our second phase of the CSO program is to identify issues in the cemetery brook basin on the east side of the City. We have done some preliminary studies. We are probably going to be calling for some separation work and some storage and pump back into the treatment plant but it is going to be addressed under the next phase of the CSO. Typically when you have a major problem as the east side is experiencing with the cemetery.

Alderman Osborne asked how long do you think it will be before we get this cured completely.

Mr. Seigle responded it is probably going to be another 15 to 20 years. We are required to finish up Phase I by March 2009 and at that point the EPA will decide what phase...we will propose something to them but they have the final decision over what Phase II consists of and then we would start in 2010 on Phase II.

Alderman Osborne asked so the total cost of this is going to be well above \$20 million maybe.

Mr. Seigle answered yes Sir. It is probably going to be more like...we are going to try to do it in stages but it will probably be...the Phase II work will probably be in the \$80 million range.

Alderman Shea asked the rate increase is applicable for just 2005 and 2006 and then there is going to be thought given to future raises or increases.

Mr. Thomas answered the rate increase will go into effect in FY06 and it will remain in effect. We at a later date may be coming back looking...well we will be coming back looking for anticipated rate increases as the dashed lines on some of those charts indicated. However, we are hoping again through economies and

good financial management to maybe defer some of those payments so that we don't need to come in and say the following year we are going to need a rate increase and the following year. Overall, sewer rates are going to be increased because of these mandates.

Alderman Shea stated another point as Alderman Osborne was mentioning as we both know I have a constituent who is quite concerned about a problem up where that constituent lives. With all of this, is that going to be addressed Frank in terms of piping?

Mr. Thomas responded no.

Alderman Shea asked you know where I am talking about.

Mr. Thomas answered yes I do know. As Tom mentioned the overall cemetery brook project, you are looking at somewhere between \$80 to \$100 million. Typically when you have a drainage situation where you have limited capacity you really have to start at the bottom and work your way up. It doesn't do any good to start up at the top of the pipe. We are aware of the problems. These studies that we are doing for the EPA and whatnot addresses these issues. They are all part of the project.

Alderman Shea asked will that problem in time, whenever that time may be...

Mr. Thomas interjected that particular problem in time will be addressed for that constituent.

Alderman Shea stated my obligation first is to my constituents as we both know so I want that to be known. I realize there are other people and they need help but where this man's property is being affected I think it is only proper and right that we address that.

Mr. Thomas responded that is correct but again we have to start at the bottom. Some day that area will be addressed.

Alderman Shea asked within the context of the man's lifetime as it were or...he is an elderly citizen.

Mr. Thomas answered as Tom mentioned for the second phase we are looking out about 15 years. If he can make it another 15 years or so...

Alderman Shea interjected I don't think he can. He is in his late 80's now. I would hope that we do at least from the point of view of some partial help at least...maybe we can't go for the whole thing at this time but maybe if we can get two of a kind or something we can do something with that until we get a full house you know.

Mr. Thomas responded certainly. We keep looking at that area and we keep providing maintenance to minimize the problem.

Alderman Shea stated maybe a pipe that goes through that would alleviate it, whatever, but I will talk to you privately. That is certainly a concern that I have.

Alderman Osborne stated by alleviating this back up down at the cemetery, wouldn't that help the other areas just a little bit. Would this help somewhat?

Mr. Thomas responded obviously it will have some benefit in the immediate upstream area but where you have a pipe that is falling apart in some areas...I mean the areas that we know are damaged we had a large repair job upstream not this winter but last winter which helped the situation. I don't want to give any false hope by doing this one section.

Alderman Osborne asked but it is a possibility that it will help a little bit maybe.

Mr. Thomas answered it is certainly not going to hurt. I will say that.

Alderman Osborne stated that is good news.

Alderman Forest stated as you are aware I have as many problems as Alderman Shea with the water on Mason Street but for me a little comment. Could we get a two year delay on that raise on the west side seeing that we were paying 10 years and we didn't get to use it?

Mr. Thomas responded you still got the use of the existing collection system. That collection system might have dumped it out into the river but you donated your sewer user fees for the use of the existing system.

Alderman Forest replied thanks Frank. I knew you would have an answer to that one.

Alderman Shea asked are we the only community that would be impacted by this increase or are there any other communities.

Mr. Thomas answered this increase is only impacting the City of Manchester. As you know, we have intermunicipal agreements with other towns abutting us but those were fixed costs. If they have a problem in their community they have to address it with their own dollars. This is just for Manchester projects and Manchester operating costs.

Chairman Smith stated I would like to sum up a few things. Frank, the increase if we do it goes \$30 or roughly \$2.50 a month or \$.57 a week or \$.08 a day or whatever it is. Getting back to what they were talking about with cemetery brook, I am very familiar with it as I am sure everybody is. I know it is by the East Side Club and it goes through the four fields, which I call Maple and Auburn right through where JFK is. That has been a problem for years and I would hope that you would put it, like Alderman Shea said on the front burner and see what we can do with it because there are problems right through the neighborhood even though it is on the opposite side of the river where I live now.

Mr. Thomas stated it is a high priority for us and quite frankly it is a high priority for EPA. Again, we are studying it. We will be going into a consent order for what we call Phase II, which will identify our cemetery brook. We are looking at ways of minimizing the cost. We are looking at \$80 to \$100 million and we would prefer to see it on the low side instead of the high side. We are spending the effort and not jumping into it but we know it is a high priority in the City and in the future of the City on the east side.

Alderman Shea moved to approve the rate increase. Alderman Osborne duly seconded the motion. There being none opposed, the motion carried.

Chairman Smith stated we now have to address the ordinance.

Alderman Osborne moved to recommend that the ordinance raising the sewer rates be approved and referred to the Committee on Bills on Second Reading. Alderman Shea duly seconded the motion. There being none opposed, the motion carried.

Chairman Smith addressed Item 4 of the agenda:

Communication from Guy Beloin, Financial Analyst II, submitting the City's unaudited monthly financial statements for the six months ended December 31, 2004 for FY2005.

Alderman Shea asked Guy or Kevin could you go through some of the particulars in the report for the general public's information.

Guy Beloin stated included in the report is a summary. What I have done there is summarized the departments for the expenditures part. First of all, we are at a six-month point here and we should have basically 50% of the budgeted expenses left for the rest of the year. For the most part, most departments are at that level but I did list a few exceptions and the reasons why these departments were below the 50%. The first one is the City Clerk. The reason if you look at Page 1 they show that they have 48% left of their budget, which is above the 45% but included in their budget for the year is liability insurance and they did make \$106,000 premium payment at the beginning of the year so that is why that throws off the percentage. Other than that, they are at close to the 50%. The second one is the City Solicitor. They have a little less than...I guess if you look at Page 3 you will see where I was going with that. On Page 3 they have 37% left of their budget and the reason for that was that there were a couple of expenses that threw it out of whack. One of them being that they were billed \$19,000 for water damages and \$33,000 for a settlement. The third one would be Finance. Again, if you go to Page 3 you will see that Finance has 39.72% left of their budget and the reason for that mainly is we recorded the audit fees. At this point, we have \$110,000 and also we do have \$90,000 in legal fees related to the sale of the land. The next one would be Information Systems. They have recorded \$88,000 worth of equipment purchases but they don't necessarily have all of the equipment. It includes open PO's and they also recorded the full amount for service agreements, which is \$284,000. They also had \$28,000 for telephone expenses, which I believe is for the year. The next one would be Building Maintenance. I guess I skipped over one. The next one would be Human Resources and the reason again if you look at Page 3 it shows 16.5% less than their budget. That is because of the health insurance settlement, which is a cumulative amount and that is adjusted as we go throughout the year. The next one would be Building Maintenance and we have gone over this one before. They encumbered the full service contract at the beginning of the year, which in this case was \$3.6 million. The last one that I have here is Elderly Services. They have a smaller budget but they recorded 12 months worth of telephone expenses. That is pretty much it for the expenses.

Alderman Shea stated Alderman Smith talked earlier with members of the Finance Department. There are a few departments that I believe...in other words if they are held accountable for the 2% I think that they have the option of trying to make up that difference between what they may lack in financial means now but adjust with line items to do that. I wondered if that concurs with what your thinking might be, either Kevin or Guy.

Kevin Clougherty, Finance Officer, stated yes it does. A lot of the items that Guy just listed out are not unusual. Information Systems always encumbers a lot of its dollars early on in the process. Retirement payments we had been paying on a different cycle than we are this year where it is remitted weekly. It is not unusual to have the change for Human Resources with those rolling numbers so a lot of these things are recurring year-to-year and as we try to manage through the budget I think as Randy has told you too some of the departments are going to be tight and that is why we have the contingency and the salary adjustment accounts but we are going to have to really manage that closely as we go through this. We don't want to start giving people dollars at this point. We would rather wait and have them get as far as they can through the year before they have to really do a transfer so that we are not inadvertently making funds available to say a bigger department when later on we are going to need them for a smaller department. That has always been the practice. I think we are on track. I think we know that there will be some departments as there always are that have some issues and we will address them with you as we feel they get critical. I don't think it is our feeling that they are at a critical level right now. We have addressed a couple of them since the last meeting as you know and Police and Fire are two that we have tried to accommodate. As far as the others I think we are in a position to really move forward and monitor but not take action at this time.

Alderman Shea asked when would be the critical time, Kevin. Would you say March or April?

Mr. Clougherty answered I think once you get out into your latter quarters of the year we will have a good handle on what is going on and we can do some better projections in terms of where we are on some of those items. At that point a lot of these encumbrances that Guy has been talking about have worked themselves out.

Alderman Osborne asked Kevin how does this compare to last year at this time.

Mr. Clougherty answered I think what Guy is telling you is there are some changes but they are mainly timely changes in the way things are being paid on some of these things. For example, with retirement. In the past, we may have made one large payment to retirement at the beginning of the year. This year we are doing it on a weekly basis as payroll goes through. That helps our cash flow. When you take a look at the different departments in terms of Information Systems and some of the others those are normal purchases that they are making. Those are normal encumbrances. We think year-over-year we are tracking as a percentage of the budget pretty close to what we have seen for spending patterns in the past.

Alderman Osborne asked this happens on different months is that it.

Mr. Clougherty answered right. There are some changes...

Alderman Osborne interjected it could have happened a month ago or it might have happened two months later but in general it is about...

Mr. Clougherty interjected in general as Guy said right now these are for the period ending December 31. You are halfway through the year. Everybody should have about half of their budget left and they do. That is a good sign. The ones that aren't at half as he has articulated in his cover memo and just gone through here, there are explanations for that.

Chairman Smith stated Kevin we met and had a very good talk with Randy Sherman and all of the department heads have been very, very good as far as I am concerned but I would just like to ask the department heads to try their utmost to live within the budget and if they have a problem to see the Mayor and see the Finance Department and finally the Accounts Committee instead of going directly to the Board of Mayor and Aldermen and really putting us on the spot. I think it is unfair to us. I realize that with the COLA it is actually a 4% reduction in their budget and that is very hard but I wish they would follow this procedure and I would certainly appreciate it. Looking at the situation we have 24 agencies and 7 are under 50% right now so it is a warning signal and I have been tracking this. For the first three months it was 75% and everything was good but now you can see it decrease and it goes to 65% and now it is down to 48% I believe. We have to keep our eye on it and like you say the non-department items all we have is the salary adjustment contingency and maybe one or two other avenues to get money or transfer so we are very, very tight and I don't know what you can do to address it to us to make us well versed on it before it happened because I looked at the report in December and we didn't have a meeting and it was very rosy and now this month it has changed drastically.

Mr. Clougherty stated once you hit these peaks going into the last part of the year that is when you start to see people making business decisions. There are some peak periods that people have gone through. One that pops into my mind here is Frank and how we manage through the winter and what kind of a winter we have and how that drains on some of our parks budgets and things like that. You are right. It can shift and we have to watch it. We agree with what you are saying. It is my understanding that the Mayor is sending out a directive to all of the departments reinforcing basically what you said, Mr. Chairman, to try to get the

departments to do the best they can to live within the adopted budget understanding these are tight times and that we entered the year with a difficult situation because of the issue with Concord.

Alderman Shea stated as a Committee we are well on top of everything but the big thing is to make sure that people who have problems meet with the Mayor and the Finance Office so that everything is sort of understood before it comes before us because then it would decrease the amount of, I guess, discussion at the Board level.

Mr. Clougherty responded we would like that too, Alderman.

On motion of Alderman Osborne, duly seconded by Alderman Shea, it was voted to accept the report.

Chairman Smith addressed Item 5 of the agenda:

Communication from Kevin Buckley, Independent City Auditor, advising that in order to develop an audit plan, a risk assessment of the entire City has been completed and requesting that the top five departments (Tax Collector, Finance Department-Treasury, City Clerk's Office, Traffic and Police) be audited beginning with the Tax Collector's Office.

Kevin Buckley, Independent Auditor, stated I just want to point out that from talking to my colleagues in the profession, the trend now is to go to more of a risk based analysis of the entities you audit and rank your audits by the amount of risk that is posed to the City. A lot of it is based on how much revenue is collected and how much is expended and whether the revenue you collect is over the counter cash or electronic fund transfers and where is the risk to the City. So what I did was take 10 factors and weight them and rank every department by the factors and this is the list that I have come up with and using auditor judgement also and this is the list I have come up with of what I feel should be audited to help alleviate some of the risk to the City.

Alderman Shea asked where do you get the 10 factors. Is it something you make up or something that is an accounting type of situation? Not that it makes a whole lot of difference because a factor is a factor.

Mr. Buckley answered some of it is auditor judgement of what I think is important for the City for this particular entity that is present here and a lot of it is from the National Association of Local Government Auditors checklist of factors.

Alderman Osborne asked when would this take place.

Mr. Buckley answered I would like to start the Tax Department immediately. Each one of these audits will take three to four months.

Alderman Shea asked you stated that each department would take three to four months.

Mr. Buckley answered yes from the start until you get the report. There will be some overlap because I will be doing audit work while I am writing reports. These are all big departments. There is a lot of work involved.

Alderman Shea asked so you would do them in three or four months and then be back to us before the end of the year.

Mr. Buckley answered every three or four months you should be getting a report on one of these.

Alderman Shea asked all of these or one of these.

Mr. Buckley answered one at a time.

Alderman Shea stated so there are six here so that is a year and a half.

Mr. Buckley responded that is correct. Of course, other things come along. You guys have emergency audits and reviews that have to be done so I will fit those in as I can.

Alderman Shea asked how does that weigh in with the auditors that come in from Connecticut to audit the books. I know they do an external audit and you are doing an internal audit but how does that complement or not complement one another timing wise and so forth?

Mr. Buckley answered so far they have had very little interest in the audits I am doing. We don't have that much coordination other than the fact that it works in the City's favor that you have an internal audit function and they put some reliance and they are able to limit some of their testing just by the fact that you have one. I am hoping this year to be able to get together with them and work more closely with them and if they have areas of concern where I can limit their testing and help reduce the billing that they have then I could adjust my audits accordingly to that.

Alderman Shea asked when you finish an audit of the say Tax Collector's Office what can we expect in terms of results. Why are we doing it? What do you hope to accomplish? I know you have the factors and the risk and so forth but what is your main goal when you do this for our benefit?

Mr. Buckley answered these audits are mainly financial and compliance audits. One of the biggest things that you will get out of this is I will in detail look at the internal controls that all of these departments have and insure that the internal control system is designed properly and working as it is designed to do. I will also be testing compliance with laws and regulations to insure that they have a system in place to comply with all of the laws and regulations and also to spot any problems that may come down the road. The other part of it is looking at the financial data and testing the financial data to spot any frauds or errors or irregularities that may be happening in these accounts. Most of them are large accounts.

Alderman Osborne asked what is the advantage to the City by doing this and when was the last one taken.

Mr. Buckley answered I have never audited the Tax Department before and I would also like to point out that I audited the Assessor's Office a couple of years ago and I have been keeping an eye on some things that happened over there. Regularly the Tax Department is the next section of the cycle. You have the Assessors who set the tax rate, the Tax Department collects the taxes and the Treasury Department processes the funds and invests them so I am kind of going in a progression here too between the departments to follow this whole cycle of your major revenue source.

Alderman Osborne asked do you have expertise in all of these different departments to know what to look for.

Mr. Buckley answered by the time it is done, I will.

Alderman Osborne asked are they going to teach you something or are you going to teach them something.

Mr. Buckley answered hopefully it will go both ways.

Alderman Osborne asked what type of expense is there to this by you doing this or not doing it. What is this costing?

Mr. Buckley answered just my salary and hopefully I will find some efficiencies.

On motion of Alderman Shea, duly seconded by Alderman Osborne it was voted to allow Kevin Buckley to conduct internal audits of the Tax Collector, Finance-Treasury, City Clerk, Traffic and Police Departments beginning with the Tax Collector.

Chairman Smith addressed Item 6 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting reports as follows:

- a) department legend;
- b) open invoice report over 90 days by fund;
- c) open invoice report all invoices for interdepartmental billings only;
- d) open invoice report all invoices due from the School District only;
- e) listing of invoices submitted to City Solicitor for legal determination; and
- f) accounts receivable summary.

Sharon Wickens, Financial Analyst II, stated I don't have any specific accounts on the receivables that I was going to comment on. I didn't know if you had a chance to review them and if you had any questions.

Chairman Smith stated I have a few. I will try not to name them by name. I will try and give you the page and you can give me the situation or the reason why. The first one is 6B on page 2, the Health Department.

Ms. Wickens responded that is the inter-department one. The customer name is Manchester Health Department right? That is a bill that is inter-departmental. It is billed to the Health Department from Information Systems. The Health Department paid this bill on 12/15. When I talked to Information Systems this morning, they had yet to apply that payment. I believe it is going in but there was some delay there and I am really not sure why.

Chairman Smith stated page 4, 6B the fire alarm user fee. I think we discussed that and you said you were going to proceed with that. I don't want to name the company. It is at the top of the list.

Ms. Wickens responded I was going to address that during the write-offs but I could address that now if you would like.

Chairman Smith stated on page 5, 6B Keyspan.

Ms. Wickens responded these are dated September. Keyspan consistently is about four months behind in their payments so Police is expecting that this will come in at any time.

Chairman Smith asked do you think we can have Frank Thomas get involved and not issue any excavation permits until it gets paid.

Ms. Wickens answered that is an extra detail expense.

Chairman Smith stated I am sure that it has to do with construction though.

Ms. Wickens replied right I am sure that it does. I certainly could talk to him and Police.

Chairman Smith stated it is over 90 days.

Ms. Wickens responded yes it is over 90 days.

Chairman Smith stated I noticed a couple of towing companies. Could you explain those? On page 7, 6B at the bottom.

Ms. Wickens responded this again is the Police Department. The Police Department handles their collections a little bit differently. They have their own process that they follow before they send them for collections. I will tell you that that particular towing company has not been sent to collections at this time. I could talk to Police and have them review their accounts again. They are a little bit more lax in the 90-day turn around that everybody else has.

Chairman Smith stated page 17, 6B at the bottom.

Ms. Wickens replied that is almost the same thing that we had last year. That was paid nine months to a year late. They wait to see how much funding they are going to have before they pay us. I have no idea why or why we tolerate that but we don't send the State of NH to collections and I don't expect this to come in right away. It is probably the next month or two. I could make a call to the state to keep pushing them. That is what I did last year.

Chairman Smith responded I would appreciate that. The main reason why I knit pick is we are looking for revenue and we are in a bind and anything that we can receive that is due to us we certainly appreciate it. If you bear with me for a minute I think I have one more. There are a lot of pages. Page 35, 6B at the bottom.

Ms. Wickens stated this is Airport. If you want, Mike will be here and I can certainly leave this one out and he can address that particular one but they handle their own collections and they are right on top of them. I don't usually have any problems with Airport.

Chairman Smith stated last but not least page 39, 6B at the bottom.

Ms. Wickens responded that is another Airport. I will keep these out for when Mike comes up.

Alderman Shea stated there is one near and dear to my heart and that is the Verizon Wireless Arena. That is on page 4. They owe the Fire Department and the extra detail.

Ms. Wickens responded I didn't hear anything on that. I will talk to Fire about it.

On motion of Alderman Osborne, duly seconded by Alderman Shea it was voted to accept the report.

Ms. Wickens stated we have Airport here to talk about some of the things that are going on at the Airport as requested.

Michael Farren, Assistant Airport Director, Finance and Administration stated Kevin Dillon sends his apologies for not being here tonight. He is away from the Airport traveling on business.

Chairman Smith stated I initiated this because there is a lot of concern about the carriers down at the Airport and a lot of discussion so I asked Kevin Dillon if he could send a representative to at least give us some knowledge of what the Airport is doing in case some of these carriers leave Manchester.

Mr. Farren stated why don't I first address the 90-day aging thing for you. The item on page 39 has all been paid to date. The other item, which I think was on page 35, over \$1,000 of that has been paid and we are in negotiations with them for the remainder and we work very closely with them. I think what I would like to do is talk to you a little bit about US Airways. US Airways has been a long and significant partner with Manchester Airport. Prior to Southwest they were the dominant carrier. Right now they represent about 18% of our market share. The loss of US Airways would be a significant event. Significant to the industry and significant to Manchester Airport. I will go into a little bit more about that shortly. However, the latest event with US Airways in their bankruptcy court they petitioned to the Air Transportation Stabilization Board (ATSB) for cash collateral

and they just went through another petition with them and ATSB has extended the federal guaranteed loan until the 30th of June this year. That, by the way, is the projected date that they would come out of bankruptcy so between now and then US Airways has to reach agreement and this is due by the 21st of this month with the Machinist Union. They have reached agreement with all of the other unions. When they do that they have to demonstrate to GE Capital, which is their leasing and financing for all airplanes that they have reached sufficient cost reductions to continue on. We expect all of this to be resolved by the end of June. So at least until the end of June we expect US Airways to continue service at Manchester. I mentioned that they have about 18% of our market share. In calendar year 2004 that represented 722,000 passengers. We finished calendar year 2004 with over 4 million passengers. What happens to US Airways certainly impacts Manchester and the rest of the industry but we are very well positioned to withstand a shock like that. US Airways overlaps with a number of carriers in its route structure. Merrill-Lynch analysts have estimated that approximately \$6 billion+ in passengers amounts to what would happen if US Airways went under and that the rest of the industry would do that as a very good opportunity to participate in that \$6 billion+ pie. Southwest, itself, has already announced and has been operating in Philadelphia. You have probably seen that. They had some great fares for awhile. That is one of US Airways main hubs as is Pittsburgh. Southwest recently announced that they would be going into Pittsburgh starting in May. The other main hub for US Airways is Charlotte. Manchester customers go through Charlotte and Pittsburgh and Philadelphia typically en route to other destinations. That is not a typical final destination for Manchester customers. We anticipate that Southwest will probably look to make another foray into the US Airways market in addition to Pittsburgh and Philadelphia. Some would speculate that that might be Charlotte. US Airways also goes into Washington. Southwest has over 12 departures a day to Baltimore-Washington International. So that market is covered and we would expect Southwest and other airlines to move in. Perhaps Delta. They have a 60% overlap with the US Airways route structure on a revenue basis. United is a co-share with US Airways. It is possible, even though United is in bankruptcy that they would seize upon something like that as a potential opportunity for them as well. Additionally, Kevin is always out marketing to other airlines. You may have seen something in the press a week or two ago in reference to JetBlue. We anticipate that JetBlue would be very much interested in Manchester if something were to happen to US Airways. No promises. They haven't made any commitments to us but that article by the Chairman in the *Globe* a week ago Sunday indicates some promise. Kevin has also talked to another airline, which has indicated that should US Airways go under that they would be a prime mover in starting a new carrier service in Manchester. Again no promises but we have certainly had a lot of indications from various airlines. As far as the fiscal impact on Manchester, US Airways makes two direct payments to us on a

monthly basis. One is landing fees based on the number of airplanes they bring in each day. The other is square footage rental rates based on terminal rents and apron rents. The total annual dollar impact of that is about \$2 million. There is a lot of indirect impact as well. That is to do strictly with the number of passengers that they bring in and the passengers that come and park in our parking lots and in our garage and the passengers that buy goods and services at the terminal itself. That perhaps might be a bigger share than the direct impact. To assess that, you have to make a judgement about what is going to happen if they do go under and other airlines come in. So it is pretty hard to estimate that indirect impact because we feel certain that other airlines will come in and those passengers will be made up. The current market that we have out there with the airlines that are departing Manchester every day right now is about 70% load factor. So those other airlines could make up with the available seats they have right now those 722,000 passengers. It is difficult to estimate but if there were a worst case scenario and we envisioned that after 9/11 and we have a plan on the shelf that would address what happens if there is a major upheaval in the airline industry. What would we at Manchester Airport do? There are two ways to address that and probably the combination of the two is the best. One is cost reduction and the other is revenue enhancements or rate increases. Kevin has directed us to review and evaluate all of those plans that we have and he is in the final review of that right now. I think we are well positioned. Our financial reserves we have a full year's debt service in reserve in the bank right now. We have \$11 million of a bank balance, positive bank balance right now. We have \$6.7 million in an operations and maintenance reserve account. I think that worst case we might see a temporary 10% reduction. That would all sort itself out in a six to twelve month period and I think Manchester Airport would emerge from that kind of a scenario as well as it is positioned right now.

Alderman Osborne stated so it all boils down bottom line if you were to lose US Air I guess you have until June you said...

Mr. Farren interjected June is their emergence from bankruptcy date and that is the date that the ATSB, Air Transportation Stabilization Board, has given them further credit until.

Alderman Osborne stated and if no other airlines decide they want to come in you are talking a loss of 700,000 to 800,000 passengers.

Mr. Farren responded 722,000 passengers based on last year's numbers that ended in December.

Alderman Shea stated my concern would be not so much how much passenger service you would lose but how much US Air would be in debt to you people. That would be my concern moreso than the other because obviously you listed factors that could possibly mitigate that situation.

Mr. Farren responded US Airways, prior to going into bankruptcy, announced \$240,000 in the main line carrier itself. Given the big scheme of things, that is not a whole lot for us to absorb and we could do that readily.

Alderman Shea asked so that is how much you would possibly lose if for whatever reason they could not get out of bankruptcy...would you still be carrying them between now and June in terms of them being...

Mr. Farren interjected they are current now in all of their post petition debt.

Alderman Shea asked they have to pay as they go.

Mr. Farren answered yes they do. For instance, they have been paying right along. They keep up their PFC payments and their rental rates and those sorts of things. We do have provisions in our airline operating agreements. Should an airline liquidate or go away owing us money we could backcharge the other airlines for that.

Alderman Osborne asked where do landing fees come in. In the square footage or the land?

Mr. Farren answered landing fees are based on the maximum certificate landing weight of every airplane that comes in. What we do is charge \$1.71 for every 1,000 pound increment unit of maximum landed weight. For instance, this past year we had 3.1 million units that comprised our landing fee total revenues.

Alderman Osborne asked is that over and above the land in the square footage charge.

Mr. Farren answered yes.

Chairman Smith stated I want to thank you for a fine, excellent presentation. I certainly appreciate you coming down on a cold day.

Chairman Smith addressed Item 7 of the agenda:

Communication from Sharon Wickens, Financial Analyst II, submitting the 2nd quarter FY2005 write off list for the accounts receivable module.

Ms. Wickens stated on the business that you had spoken about before, the very last line for Fire. It is on here because procedure tells me that I need to put it on there. It has gone to collections and they weren't able to collect it but we know this is a business that is in Manchester that is doing fine. I spoke with Matt in the City Clerk's Office and they are going to attach it so that a business license isn't issued until this is paid. I would like it removed from write-off. I follow procedures and I put it on to make you aware but I don't think that we should write this off and I think we should remove it. I really do think that Matt and the City Clerk's Office will be able to collect this for us.

On motion of Alderman Shea, duly seconded by Alderman Osborne it was voted to approve the write-offs with the exception of the item pertaining to the Fire Department.

Chairman Smith addressed Item 8 of the agenda:

Communication from Tobias Svantesson, Internal Auditor, submitting a summary of City loans and notes currently outstanding.

Randy Sherman, Deputy Finance Officer stated at the last Committee on Accounts meeting that we had and I am not really sure when that was, discussion came up relative to the outstanding receivables that the City has more of dealing with loans rather than the general accounts receivables that Sharon was just speaking of. What Tobias has done is prepare this report to present to the Committee listing out all of the loan receivables that we are aware of. I think he did a fine job. He went back to departments such as Planning and Economic Development trying to track down all of the individual loans that have been really provided to developers in most instances and throughout the home ownership program that the City operates. The loans do go back a number of years. He has tried to indicate again what the original loan amounts were and the terms of each individual loan. I will tell you that this really is a document in process. Most of the departments unless they have looked at this agenda have not seen this document. We clearly want the departments to take a look at it and see if there was something that was either misstated or missed entirely. I believe the discussion really came initially from Alderman Gatsas who was at the last Committee meeting. He was discussing the Wall Street lease, which is on here as well. Again, it is a work in process. We will go back and try to refine it. If anybody has got some suggestions or

comments or specific questions about something that is on here we will be glad to try to answer it. Again, we will refine the document and present it to the Committee at least quarterly initially because again I am not sure there is a lot of change month-to-month.

Alderman Shea stated I noticed that in certain instances when I reviewed the document certain people have paid and they are up-to-date and other people for whatever reason... could you comment. Is there any way that...how do you go about...

Mr. Sherman interjected the one thing that we did speak about that we are going to try to do for the next one is actually try to figure out on each one of these loans when the last payment was due, when the last payment was actually paid and truly what the status of each one of the loans are. Right now we have really just come up with okay here is the beginning and here is the ending balances and it is a process now of going back and trying to reconcile and making sure that they are all up-to-date. As you recall, in the past few times the auditors have been in here this has been one of the areas when we talked about central contracting and those types of items that really as you will notice going through here is really kind of spread out around the City. Again, it took Tobias awhile to track down a lot of these. We didn't have the loan agreements. We didn't even know the loans existed to some extent and again it is a matter of bringing it all into one place now and being able to track it going forward. Clearly again this is a work in process and if we go back now...if the departments come back and tell us yes you have everything on there then we can start going back and trying to really track the status of each one of the loans.

Alderman Shea asked is there any penalty for someone for whatever reason not being able to pay this back or is it just...is there any contractual type of obligation on the part of individuals because some of these loans are...

Mr. Sherman interjected each one of these are...and again I won't specifically to the HOME loans because those are to help the homeowners and a lot of them we just amortize. There isn't a payment unless the property is sold. Those that are the larger ones like the Wall Streets and the ones dealing with the baseball deal we actually have, I will call them mortgages, but they are actually written documents that will specify what the penalties are if they are late.

Alderman Shea asked but these others from MNHS go back to say 1995 and some of them very little has been paid.

Mr. Sherman answered that is right because if you read the terms of the loans, which are on the bottom of each page, some of them like if you turn to page 2 it is 20 years and there is no interest on it and if they hold the property for 20 years it goes away and we never collect it. Those are the types of things that I think like Felix Torres really started in trying to get the downtown housing market to come back.

Alderman Shea stated but between say 1996 and the year 2016 if they don't make any payments they don't have to make any.

Mr. Sherman responded that is correct. They don't have to make any payment. They just have to retain ownership. One of the things that we did and I am not sure we got answers to all of them but we have the name of who the loan was given to and now we need to go back and see actually who the property owner is and make sure that the two of them match. I know we did find a couple that didn't match and again I don't think we have answers but that is still in the research stage and we are still trying to get answers to those.

Alderman Osborne asked this Bridge and Elm, this \$500,000, is that on the garage.

Mr. Sherman answered the \$500,000 is actually on the building itself. There was a Section 108 loan on that. Just like we did a Section 108 loan on the Margaritas building and we did a Section 108 loan on the Pandora building, the Dunlap building, and the McQuades building. It is a loan where the dollars are federal dollars and the federal government actually goes out and issues the debt. They loan that money to the City and the City in turn loans it to the developer. Now that one they won't start paying back until the project is...

Alderman Osborne interjected is that the case with Old Wellington Road here. Number 10 for \$1 million?

Mr. Sherman asked which page are you on.

Alderman Osborne answered page 8.

Mr. Sherman stated no. Wellington Road was not a Section 108 loan. Again, if you look under Wellington Road you will see the terms of that loan are underneath there. Those dollars, I believe, were like block grant money or I am not quite sure where the funding of that one came from.

Alderman Osborne asked probably from MHA.

Mr. Sherman answered no it came from the City.

Chairman Smith stated just to sum up I know you have different types of loans and you have a description underneath but to get back to what Alderman Shea was saying if the property is sold then they have to pay back the money.

Mr. Sherman responded that is correct.

On motion of Alderman Osborne, duly seconded by Alderman Shea it was voted to accept the report.

NEW BUSINESS

Communication from Kevin Buckley, Internal Audit Manager, submitting an audit status update.

Chairman Smith stated Kevin I appreciate you waiting until the end of the meeting as this item was not on our agenda. This communication is in regards to tuition reimbursement.

Mr. Buckley stated the Finance Department in processing payments for the tuition reimbursement program, which is a program that was set-up to provide educational opportunities for City employees who were seeking a degree, they were having problems processing payments with the way things were going through there and they asked me to look at it. I originally just did a cursory review and found some other problems and so audited the whole account, which also led me to audit the account for staff development. It is just a line item in people's budgets for staff development. In general it is used for...I have to take classes to keep my CPA current and it is used for things like that. The nurses use it to keep their nursing certifications. Mechanics at the Highway Department use it to keep current. It is used for that kind of stuff. There has been some overlap between the two accounts and what I was finding was that people were bouncing back and forth between two accounts. There are limits on what you can get for tuition reimbursement. You submit for a course and you get 75% of the course paid and 25% comes out of the employee's pocket and there is a maximum amount you can apply for every year. The amount I think is \$1,600. It varies depending on the union or whether you are non-union. Really if you go into graduate courses it only covers one or two courses a year depending on where you are going. So what people were doing is getting the 75% and charging the 25% that normally would come out of the employee's pocket to staff development and then when they

reached their maximum charging 100% of the classes to the staff development line if the money was available. Because the tuition reimbursement program has excess funds every year that they never spend, they allowed people who were running low on staff development money to charge normal staff development

activities to the tuition reimbursement account with the same confines you normally have – 75% would be paid from the tuition reimbursement account and then the staff development money would pick up the other 25% and this way they could train their people for necessary training and maximize their budget. Because of the way things were done I found some problems with people getting double payments. It only happened a couple of times. I also found problems with people getting paid more than the maximum amount that they were allowed either by the contract or by ordinance. Most of the time it was a small amount like \$10 or \$15 but several times it amounted to quite a bit of money. As pointed out in the report most of this was due to a breakdown in internal controls over the whole system. That basically is what is in the report.

Alderman Osborne asked what is your recommendation.

Mr. Buckley answered I actually recommended a few things that have been taken care of to some degree. One was to actually have a policy approved by the Board on tuition reimbursement and a policy on staff development to clearly state what was allowed in each one. In general, I agreed with the policies that were passed except there was no connection between the two policies. There was nothing in the tuition reimbursement policy that said once you are in the tuition reimbursement policy you cannot go back and collect money from the employee development policy so there are still problems today in departments who are trying to do both. There are arguments going on at this moment on whether that is still allowable or not. I think there is still some opportunity to be clearer on what is allowed on each one. If you are going to allow people to charge the 75% tuition in one and then go to the other for the 25% you are kind of defeating the whole purpose of the tuition reimbursement account. You might as well just take that money and give it to the departments to spend as employee development for all of it. I think once you are in a degree program under the tuition account you should not be allowed to go back to employee development to supplement. Again, that is just my opinion.

Chairman Smith stated personally there is a lot involved with this and I would like to see this held up for another meeting because we have the Human Resources Department. We should have a written policy. The Chief Negotiator is saying go on a calendar year rather than July to June. We also have the Finance Department. I think if we can get the parties together...I have to agree with you that there is no excuse for a double payment. There is no excuse but it did happen.

Mr. Buckley responded those were just honest errors. There wasn't any deception in the double payment. A lot of it had to do with some internal control problems at HR that have been fixed. They have taken care of that. It is just with the confusion of bouncing things back and forth between all of these accounts they just lost track of what had already been reimbursed and what hadn't been reimbursed and they ended up getting a double payment a couple of times. The City negotiator is working already to take care of the problems in the contracts and just about everything in the report, all of my recommendations, are being worked on.

Chairman Smith asked so you don't have a problem right now and you are working with Human Resources.

Mr. Buckley answered they have been very easy to work with. We have disagreements but we are working them out.

Chairman Smith stated there is a lot in this report. A lot is minor and a lot is major and as you well know the Airport wrote their discussion on it and apparently it doesn't really involve the Water Works according to my reading but I think HR, Finance and the Negotiator could correct this situation. I have to agree that we should have a better way. I guess there were supposedly four forms when they filled out a tuition agreement like a yellow slip, a pink slip and that and they were supposed to take the original and they weren't using the original for the payment and that is how the mess happened.

Mr. Buckley responded that is a problem that goes beyond tuition reimbursement. The Finance Department has been processing all sorts of payments on photocopies instead of original invoices. They, in the last year, have been trying to clamp down on that and require original invoices. This is how you get double payments in all sorts of places. They have been trying to get original invoices from everyone but sometimes it doesn't work out and you have to get a bill paid quick so they use copies.

Chairman Smith asked is HR developing a written policy.

Mr. Buckley answered yes and I believe it has already gone through the HR Committee.

Alderman Shea asked Ms. Lamberton to come forward and speak on this issue.

Virginia Lamberton, HR Director, stated I would just like to say that Kevin Buckley was a total gentleman and very positive and very constructive throughout the audit process. It was very helpful for the individual in my office to learn how to do things a little bit differently. However, we do disagree about some things. There are a couple of things that...I don't see how you can say that people are out of compliance with a policy when a policy doesn't exist, which is why we also recommended that you have a policy, which is what we are doing. You have to remember that the policies that I am walking through the system will only impact on the non-affiliated employees. The affiliated employees have language in all of their contracts that tells us what we have to do and what we are limited to doing. So I am not sure that some of the things that perhaps Finance and HR disagree about to this day are going to be resolved by the policies that are going through the system.

Chairman Smith asked in other words the various unions have different policies and some might accept it and some might not.

Ms. Lamberton answered for example we have one right now where an employee and I can't remember which bargaining unit precisely that he is in but he is renewing his license and there is an article in their contract that says that they can have that paid for up to \$200 every license renewal cycle. I believe it is being taken at a technical college or something like that so in the minds of Finance it is now a course that comes under tuition but first of all the tuition policy hasn't been approved and even if it had it wouldn't be applicable to the union employee. Secondly, past practice is that that employee gets his or her license course paid for every time it is up for renewal.

Mr. Buckley responded I think Finance agrees with that because it is not toward a degree program. It is employee development and should be paid 100% through employee development.

Ms. Lamberton replied it hasn't been paid at this point. I am still waiting for it to be paid and so is the employee.

Alderman Osborne asked so what is your recommendation, Ginny.

Ms. Lamberton answered clearly we can walk through this and talk about it some more but just remember you are a very unionized environment and as long as you have collective bargaining agreements you have established past practices whether you like it or not and the only way we can change those is by having the department heads, along with the City Negotiator, go through the collective bargaining process and negotiate a different way to do business. Until we do that,

we are stuck with the affiliated employees in how we do business. The non-affiliated...certainly today is a new day and we can look at the policies and move forward from there.

Alderman Shea stated one of the difficulties that I have is how do you separate the tuition from the developmental funds. In other words sometimes people will say if we were to go to a trade school, which does not I guess have a four year situation we can take the same course for less money. That was brought up, I believe, by Information Systems. The question then is where do you put the funding? Do you put it under developmental or do you put it under tuition reimbursement? This is where it becomes difficult to try to weigh these factors and say...

Ms. Lamberton interjected I think Kevin can probably help me with this but one of the things that comes to my mind immediately is look back. What have we done over the past...like for Information Systems. Clearly they send people to school to keep up-to-date. There is no question about that. They need to come up with their licenses and their certifications and Diane Prew wants that to happen and it is in the best interest of the City to have that happen. Those classes are paid in full 100% because we are sending them. It is not their option. We might be able to just...can we figure that out through an audit?

Mr. Buckley responded yes and I think if they are required to go do something by the City I think the City has an obligation to pay 100%. Even if you are required to get a degree for your job like okay we will hire you but you have to get a degree and we are requiring you to get a degree I think the City may have an obligation to pay 100%. I believe the situation is that this is a person in a degree program taking courses and getting tuition reimbursement. They are in the tuition reimbursement part of the program. I think there is an extra course that Diane is requiring her to take that is outside of her degree program. If that is the case, I think 100% of it should be paid through staff development because it is outside of that program. It is still at the same school but it is not part of their degree program and it is something being required by Diane. I think that should go to staff development. Again, we have to sit down and make this clearer as to what gets paid where. A lot of it, I agree with her, the unions require. The union agreement requires that this gets paid there and there is nothing we can do about that.

Alderman Shea stated my thoughts are a dual reason. You have to take it because you have to develop your skills but in taking that course you are acquiring credits towards a degree so my point is do you charge it under tuition because you are going for a degree ultimately or do you charge it under developmental funds

because you need that in order to fulfill your responsibilities at a workplace. I think that is what has to be clarified in terms of where do you take the funding out of. Not necessarily that you should deny any funding.

Mr. Buckley replied I would agree.

Alderman Osborne moved to table.

Alderman Shea stated before we do that, what are your thoughts, Mr. Chairman.

Chairman Smith stated I personally think there are various departments that still haven't gotten their act together. I would like to see HR, Finance and Kevin get together with the City Negotiator to see what practical terms are because you are pitting the non-affiliateds with the affiliateds and these are some factors I have. I would like to treat all of our employees the same way. I don't know if you agree with me or not but those are my own personal thoughts.

Ms. Lamberton responded I would agree with you. It certainly makes things easier if nothing else.

Mr. Buckley stated it sounds like a reasonable approach.

Alderman Shea duly seconded the motion to table. Chairman Smith called for a vote on the motion. There being none opposed, the motion carried.

There being no further business, on motion of Alderman Shea, duly seconded by Alderman Osborne it was voted to adjourn.

A True Record. Attest.

Clerk of Committee